

## The American Recovery and Reinvestment Act of 2009

As you know all too well, our economy is in crisis not seen since the Great Depression. Banks are not lending, consumer purchasing power is in decline, our country has lost 2 million jobs in the last four months, and in the next year we are anticipating the loss of another 3 to 5 million jobs.

Congress will be considering the American Recovery and Reinvestment Act of 2009 today. This legislative package is the first crucial step in a concerted effort to create and save 3 to 4 million jobs, jumpstart our economy and begin transforming our economy with \$550 billion invested in targeted priorities, and \$275 billion in economic recovery tax cuts.

I want to highlight the following targeted investments in the American Recovery and Reinvestment Act.

### Infrastructure:

The American Recovery and Reinvestment Act will invest \$30 billion for highway and bridge constructions projects. It is estimated that our nation has over 5,000 projects, totaling over \$64 billion that could be awarded within 180 days. These projects create jobs in the short-term while making needed repair to our nation's aging infrastructure. Efficient and reliable public transportation is vital in the effort to reduce our nation's dependence on fossil fuels and reduce our carbon emissions.

### The legislation will invest

\$1 billion in capital investment grants for new commuter or light rail systems. An additional \$2 billion will be used to modernize existing transit systems, including renovations to stations, security systems, equipment, and communications.

Finally, \$6 billion will be directed through existing formulas for transit capital assistance to purchase buses and equipment needed to increase public transportation.

Cleaner energy sources are needed to move our transportation sector away from its petroleum dependence. The Transportation Electrification program will receive \$200 million for grants to states, local governments, and metropolitan transportation authorities for qualified electric transportation projects that reduce emissions. This will include but not be limited to electrification of: Shiptside vehicles, truck stops, airport ground support equipment, and cargo handling equipment.

The bill also includes \$2 billion for the Advanced Battery Loan Guarantee and Grants Program to support U.S. manufacturers of advanced vehicle batteries and battery systems. America should lead the world in transforming the way automobiles are powered.

### Health Care:

The bill invests \$20 billion in Health Information Technology (HIT) which is projected to yield savings of \$10 billion in the next decade. Beginning in 2011, lump sums will be available to doctors who utilize HIT, with low-interest loans to purchase equipment until then. Hospitals will be eligible for several million dollars in the Medicaid and Medicare programs to similarly use HIT.

Temporary healthcare relief will be available for those Americans who have recently lost their jobs. A subsidy of up to 65% of COBRA premiums will help those continue the insurance they had under their employer while federal Medicaid matching funds to states will be increased. States can choose to cover one or more of the following groups of unemployed individuals and their families: those receiving unemployment benefits, and those who have exhausted their unemployment benefits, those who are receiving food stamps but who are not otherwise eligible for Medicaid and those in families with a gross income under 200% of the poverty level.

An increase in the Medicaid FMAP (federal matching funds) will help states maintain their Medicaid programs in the face of recession-driven revenue declines and caseload increases. A 2.5% increase in the Disproportionate Share Hospital adjustment will help hospitals who demonstrate more than 30% of their total net inpatient care revenues come from state and local governments for low-income patients.

In addition, a moratorium will be placed on six Medicaid regulations that the current Administration imposed relating to cost limits on public providers, graduate medical education payments, provider taxes, rehabilitative services, targeted case management services, and school administration and transportation services. The bill extends the current moratorium which expires March 31, 2009 to June 30, 2009.

#### Education:

The bill includes \$13 billion in Title I money to be used for targeted grants from the Elementary and Secondary Education Act (ESEA), education finance incentive grants, school improvement grants, and education grants to help disadvantaged kids reach higher academic standards.

Overall \$13 billion will be used for increased funding for the Individuals with Disabilities Education Act (IDEA). It has been included in the stimulus for the funding of grants to schools to increase the federal share of special education costs and prevent these mandatory costs from forcing states to cut other areas of education.

Nationwide \$14 billion has been appropriated for school modernization to renovate, modernize, repair and “green” public schools. \$1 billion will be directed toward helping to build or update computer and science labs and give teachers the appropriate new technology training.

#### Energy, Technology, and Science:

##### Broadband and Digital Transition:

\$6 billion for broadband deployment in unserved and underserved areas of the country. It also includes \$300 million to create a broadband map of the nation so that we can accurately detect broadband speeds throughout the country. Finally, it includes \$650 million for the DTV transition to clear up the coupon backlog and provide for better consumer education.

Department of Energy: \$1.9 billion for basic research in the physical sciences including high-energy physics, nuclear physics, and fusion energy sciences and improvements to Department of Energy laboratories and scientific facilities. \$400 million is for the Advanced Research Project Agency to support high-risk, high-payoff research into energy sources and energy efficiency.

Energy Efficiency and Renewable Energy Research: \$2 billion for energy efficiency and renewable energy research, development, demonstration, and deployment activities to foster energy independence, reduce carbon emissions, and cut utility bills. Funds are awarded on a competitive basis to universities, companies, and national laboratories.

National Science Foundation: \$3 billion, including \$2 billion for expanding employment opportunities in fundamental science and engineering to meet environmental challenges and to improve global economic competitiveness; \$400 million to build major research facilities that perform cutting edge science; \$300 million for major research equipment shared by institutions of higher education and other scientists; \$200 million to repair and modernize science and engineering research facilities at our nation's institutions of higher education and other science labs; and \$100 million is also included to improve instruction in science, math and engineering.

National Aeronautics and Space Administration: \$600 million, including \$400 million to put more scientists to work doing climate change research, including earth science research recommended by the National Academies; satellite sensors that measure solar radiation critical to understanding climate change; and a thermal infrared sensor to the Landsat Continuing Mapper necessary for water management, particularly in the western states. There is \$150 million for research, development, and demonstration to improve aviation safety and Next Generation air traffic control; and \$50 million to repair NASA centers damaged by hurricanes and floods last year.

U.S. Geological Survey (USGS): \$200 million to repair and modernize USGS science facilities and equipment, including improvements to laboratories, earthquake monitoring systems, and computing capacity.

National Institute of Standards and Technology: \$300 million for competitive construction grants for research science buildings at colleges, universities, and other research organizations and \$100 million to coordinate research efforts of laboratories and national research facilities by setting interoperability standards for manufacturing.

Enhanced Research and Development (R&D) Credit: The bill would provide for an enhanced 20 % R&D credit in taxable years beginning in 2009 and 2010 for research expenditures incurred in the fields of fuel cells, battery technology, renewable energy, energy conservation technology, efficient transmission and distribution of electricity, and carbon capture and sequestration.

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Energy Efficiency & Conservation Block Grants: \$3.5 billion to assist states, local governments and Indian tribes in implementing strategies to reduce fossil fuel emissions. Activities eligible for funding include: implementing programs to conserve energy used in transportation; grants to non-profits organizations to perform energy efficiency retrofits; developing and implementing building codes and inspection services to promote building energy efficiency.

**Smart Grid Investment Program:** \$4.5 billion to provide for research and development, pilot projects, and federal matching funds for the Smart Grid Investment Program. This investment will help meet the goal of a modern electric grid, enhance security and reliability of energy infrastructure, and facilitate recovery from disruptions to the energy supply. The Smart Grid Investment Program includes a regional demonstration initiative and a matching grant program which would provide grants for qualifying smart grid investments.

**Advanced Battery Loans and Grants:** \$2 billion for the Advanced Battery Loan Guarantee and Grants Program to support U.S. manufacturers of advanced vehicle batteries and battery systems. America should lead the world in transforming the way automobiles are powered.

**Qualified Energy Conservation Bonds:** \$2.4 billion of qualified energy conservation bonds to finance state, municipal and tribal government programs and initiatives designed to reduce greenhouse gas emissions. The bill would also clarify that qualified energy conservation bonds may be issued to make loans and grants for capital expenditures to implement green community programs.

**Cleaning Fossil Energy:** \$2.4 billion for carbon capture and sequestration technology demonstration projects. This funding will provide valuable information necessary to reduce the amount of carbon dioxide emitted into the atmosphere from industrial facilities and fossil fuel power plants.

**Grants to Institutional Entities for Energy Sustainability and Efficiency:** \$1 billion in grants to institutional entities to identify, design, and implement sustainable energy infrastructure projects. The term institution includes: institutions of higher education; public school districts; local governments; municipal utilities.

**Temporary Ability to Claim Investment Tax Credit in Lieu of the Production Tax Credit:** Under current law, facilities that produce electricity from solar facilities are eligible to take a thirty percent (30%) investment tax credit in the year the facility is placed in service. Because of current market conditions, it is difficult for many renewable projects to find financing due to the uncertain future tax positions of potential investors in these projects. The bill would allow facilities that are placed-in-service in 2009 and 2010 to elect to claim the investment tax credit in lieu of the production tax credit.

**Renewable Energy Production Tax Credit Extension:** The bill would extend the placed-in-service date for wind facilities for three years (through December 31, 2012). The bill would also extend the placed-in-service date for three years (through December 31, 2013) for certain other qualifying facilities including: closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, waste-to-energy, and marine renewable facilities.

**Energy Efficient Appliance Rebate Program and Energy Star:** \$300 million in rebates for residential consumers for the purchase of residential Energy Star products to replace used appliances with more efficient models. Approximately 15 states have appliance rebate programs currently operating to incentivize the purchase of energy efficient appliances. This program would add federal funds to increase the effectiveness of these programs and to encourage the remaining states to adopt similar programs.

Clean Renewable Energy Bonds (&ldquo;CREBs&rdquo;): \$1.6 billion of new clean renewable energy bonds to finance facilities that generate electricity from the following resources: wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, marine renewable, and trash combustion facilities. This \$1.6 billion authorization will be subdivided into thirds: 1/3 will be available for qualifying projects of state/local/tribal governments; 1/3 for qualifying projects of public power providers; and 1/3 for qualifying projects of electric cooperatives.

Enhanced Research and Development (R&D) Credit: The bill would provide for an enhanced twenty percent (20%) R&D credit in taxable years beginning in 2009 and 2010 for research expenditures incurred in the fields of fuel cells, battery technology, renewable energy, energy conservation technology, efficient transmission and distribution of electricity, and carbon capture and sequestration.

State Energy Program: \$3.4 billion for the State Energy Program for distribution by formula to all states in order to implement energy efficiency and renewable energy objectives. This funding will provide resources for activities in state energy offices for initiatives such as residential, commercial and governmental building energy efficiency retrofits.

Weatherization Assistance Program: This program is designed to assist low-income families reduce their energy costs by directing funds to states to weatherize low-income homes. The eligibility for this program is expanded by increasing the maximum income from 150 percent to 200 percent of the poverty level and the allowable level of investment per home from \$3,055 to \$5,000 to achieve greater energy savings. On average, weatherization reduces heating bills by 32 percent and overall energy bills by \$358 per year per home at current prices.

I hope you find these provisions worthy investments of your tax dollars. Economists from the entire spectrum have told us that in the short term this legislative package will prevent the loss of millions of jobs, and in the long term provide the needed investments to spur innovation.

To see a detailed summary of what California will receive in the American Recovery and Reinvestment Act of 2009, click [here](#).